

Message Text

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ACTION AF-10

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H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02
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C O N F I D E N T I A L CAPE TOWN 1232

E.O. 11652: GDS
TAGS: ECON, PROP, SF
SUBJ: SAG REACTION TO ALLEGED INTRIGUE IN HIGH PLACES

1. SUMMARY: AMIDST GROWING INTRIGUE SURROUNDING THE
DEPT OF INFORMATION SCANDAL, AN INCREASING NUMBER OF PRESS
REPORTS AND RELATED COMMENTARY HAVE APPEARED LINKING THE
INFORMATION DEPT SCANDAL WITH AN ALLEGED MAJOR CURRENCY
SMUGGLING OPERATION AND THE MURDER OF AN IMPORTANT SAG
OFFICIAL. END SUMMARY.

2. SAG OFFICIALS HAVE DENIED SUBSTANCE OF REPORT IN EUROPEAN
FINANCIAL MAGAZINE "EUROMONEY" ALLEGING THAT CAPITAL IS BEING
SMUGGLED OUT OF SOUTH AFRICA "WITH THE CONNIVANCE OF SOME
HIGHLY PLACED MEMBERS OF THE GOVT ITSELF." THE ARTICLE ALSO
CLAIMED THAT OFFICIALS AT JUNE IMF EXECUTIVE BOARD MEETING
HAD QUESTIONED SAG REP B.P. GROENEWALD ABOUT STATUS OF YET
UNSOLVED MURDER OF FORMER SAG DELEGATE TO IMF, ROBERT SMIT.
IN REACTION TO "EUROMONEY" REPORT, THE SAG MINISTER OF
FINANCE, OWEN HORWOOD SAID, "THESE ALLEGATIONS AND INSINUATIONS
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ARE COMPLETELY UNTRUE AND GROSSLY IRRESPONSIBLE. THEY NOT
ONLY REFLECT ON THE INTEGRITY AND SOUNDNESS OF JUDGMENT OF
THE IMF'S EXECUTIVE BOARD AND STAFF, BUT ARE A DIRECT REFLECTION
ON THE SOUTH AFRICAN GOVERNMENT'S INTEGRITY IN THIS RESPECT."
GROENEWALD ALSO PUBLICLY DENIED ANY KNOWLEDGE OF SAG
OFFICIALS INVOLVED IN CURRENCY SMUGGLING BUT DID NOT DENY THE
REPORT THAT HE WAS ASKED ABOUT THE SMIT MURDER AT AN IMF MEETING.

3. A FRONT-PAGE STORY IN JUNE 19 CAPE TIMES CARRIED FULL TEXT OF JUNE 18 (UK) SUNDAY TELEGRAPH REPORT ON THE SUBJECT OF SMIT'S MURDER. ACCORDING TO THE SUNDAY TELEGRAPH, "...RUMORS HAVE PERSISTED THAT HE (SMIT) HAD BEEN KILLED BECAUSE HE HAD UNCOVERED (OR BEEN PART OF) A MASSIVE CURRENCY EVACUATION SCHEME THAT HAD INVOLVED KEY GOVT OFFICIALS. THERE THE MATTER MIGHT HAVE RESTED IF ANOTHER SCANDAL HAD NOT ERUPTED IN PRETORIA, THIS ONE INVOLVING THE SPENDING ACTIVITIES OF THE GOVT'S INFORMATION MINISTRY THEN, WITH THE REPORT THAT THE IMF WAS CONCERNED BOTH ABOUT THE SMIT MURDER AND THE FLIGHT OF CAPITAL, THE MATTER BECAME TANGLED INTO A CONTEMPORARY WEB OF COUNTERCHARGE AND SUSPICION... (IMF) STAFF ECONOMISTS ALSO REPORTED IN A CONFIDENTIAL MEMORANDUM ON THE FLIGHT OF CAPITAL OUT OF THE COUNTRY AS PANICKY FOREIGN CORPORATIONS AND SOUTH AFRICANS RISKED STIFF PENALTIES TO GET MONEY OUT TO SAFETY. THE TEAM REPORTED THAT WHEN IT CONFRONTED THE SA RESERVE BANK AND FINANCE MINISTRY, THERE WAS NO SATISFACTORY EXPLANATION ABOUT HOW BIG THE DRAIN WAS OR WHAT COULD BE DONE TO STOP IT. THIS WAS REPORTED TO THE FULL IMF BOARD IN UNUSUALLY HARSH LANGUAGE THAT CONTRASTED STARKLY TO THE OTHERWISE BULLISH OVERALL ASSESSMENT... THERE WILL BE NO QUICK RESOLUTION OF THE RUMORS INVOLVING SMIT AND THE CURRENCY FLIGHT PLOT EVEN IF IT IS NOT LINKED TO THE MORE OPEN INFORMATION MINISTRY SCANDAL."

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4. COMMENT: ALTHOUGH RUMORS ON THIS SUBJECT HAVE BEEN RIFE IN SOUTH AFRICAN POLITICAL CIRCLES, THE SOUTH AFRICAN PRESS UNTIL RECENTLY PRUDENTLY AVOIDED SPECULATING ON A LINK BETWEEN SMIT'S MURDER AND ALLEGED HIGH-LEVEL CURRENCY SMUGGLING. REPORTS LINKING THE TWO, HOWEVER, HAVE NOW APPEARED IN TWO AFRIKAANS NEWSPAPERS, VADERLAND AND RAPPORT. THE SUNDAY TELEGRAPH STORY IS THE FIRST TO APPEAR HERE ALSO ALLEGING SOME POSSIBLE TIE-IN WITH THE INFORMATION DEPT SCANDAL. A RELIABLE JOURNALIST WELL KNOWN TO US RECENTLY TOLD US THAT THE SAAN NEWSPAPER CHAIN IS DEEP INTO INVESTIGATING THE MATTER HERE AND ESPECIALLY ABROAD. HE SAID THAT INVESTIGATORS HAVE GONE SO FAR THAT "IT'S GETTING DANGEROUS."

5. AT THIS POINT, IT IS DIFFICULT TO KNOW WHAT IF ANYTHING IS BEHIND THE RUMORS ABOUT SMIT'S DEATH. INTERESTINGLY, THE GOVT HAS NOT ATTEMPTED TO SQUELCH THE RECENT PRESS SPECULATION. PRESUMABLY THE RETIRING HEAD OF THE BUREAU FOR STATE SECURITY VAN DEN BERGH, WHO HAS BEEN APPOINTED BY THE PRIME MINISTER TO INVESTIGATE THE SECRET PROJECTS OF THE INFORMATION DEPT WILL LOOK INTO THE SMIT MURDER AS WELL.
EDMONDSON

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